

Message Text

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E. O. 11652: GDS

TAGS: EAID, JA, EG

SUBJ: EMERGENCY ASSISTANCE TO EGYPT

REFS: A) TOKYO 11157; B) TOKYO 10947

SUMMARY: FONOFF REP SAYS FINANCE MINISTRY IS STUDYING POSSIBILITY OF ADDITIONAL 50 MILLION DOLLARS SOFT EMERGENCY AID TO EGYPT BUT OHIRA IS NEGATIVE TOWARDS IDEA. AS FALL BACK, FONOFF IS STUDYING POSSIBILITY OF LESS CONCESSIONAL 50 MILLION DOLLAR LOAN FROM JAPAN EXIM BANK. HOWEVER, CHANCES OF FAVORABLE GOJ ACTION WOULD BE ENHANCED BY A) DIRECT REQUEST BY EGYPT TO JAPAN FOR ADDITIONAL 50 MILLION DOLLARS EMERGENCY AID, B) ADDITIONAL INFO ON ACTION FRG WILL TAKE RE EMERGENCY AID, AND C) ADDITIONAL INFO ON STATUS OF THAT PORTION OF USG AID WHICH WILL REQUIRE CONGRESSIONAL APPROVAL. EMBASSY SUGGESTS DEPT ENCOURAGE GOE TO MAKE DIRECT REQUEST TO GOJ, AND REQUESTS ANY ADDITIONAL INFO ON FRG AND USG CONTRIBUTIONS. END SUMMARY.

1. IN RESPONSE TO REQUEST FOR BRIEFING RE CURRENT STATUS GOJ EFFORTS TO PROVIDE ADDITIONAL EMERGENCY AID TO EGYPT OVER AND ABOVE EQUIVALENT 50 MILLION DOLLARS COMMODITY AID RECENTLY PLEDGED (REF B), FONOFF REP ON AUGUST 19 TOLD EMBOFF QTE IN STRICTEST CONFIDENCE UNQTE AND ON CONDITION HE NOT BE QUOTED THAT ON AUGUST 15 PM MIKI HAD PERSONALLY REQUESTED FINANCE MINISTER OHIRA TO RECONSIDER HOW JAPAN MIGHT PROVIDE AN ADDITIONAL 50 MILLION DOLLARS COMMODITY AID FROM OVERSEAS ECONOMIC COOPERATION FUND AT SAME SOFT TERMS AS INITIAL PLEDGE (I.E. 3.5 PERCENT). OHIRA RESPONDED QTE

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VERY NEGATIVELY UNQTE TO THIS REQUEST, CITING FOLLOWING THREE REA-

SONS:

A) ON AUGUST 3 GOJ INFORMED GOE FOREIGN VICE MINISTER IN CAIRO THAT GOJ WOULD PROVIDE 50 MILLION DOLLARS EMERGENCY NON-PROJECT AID AS WELL AS THE EARLIER PLEDGED 50 MILLION DOLLARS PROJECT AID; SINCE THEN, GOJ HAS RECEIVED NO REACTION OR RESPONSE FROM THE GOE. AS GOE HAS NOT RESPONDED NOR DIRECTLY REQUESTED GOJ TO PROVIDE THE ADDITIONAL 50 MILLION DOLLARS EMERGENCY AID, HOW CAN GOJ BE SURE WHAT GOE'S ATTITUDE IS? (EMBOFF NOTED IN RESPONSE THAT GOE HAS MADE CLEAR TO USG ITS EXPECTATION THAT AT LEAST 100 MILLION DOLLARS IN EMERGENCY AID WILL BE FORTHCOMING FROM GOJ, BUT FONOFF REP REPLIED THAT ABSENCE OF ANY DIRECT GOE REQUEST TO GOJ PUTS FONOFF IN VERY WEAK POSITION IN DEALING WITH OTHER MINISTRIES, ESPECIALLY FINANCE).

B) GOJ IS STILL UNCLEAR CONCERNING FINAL ATTITUDE OF FRG RE EMERGENCY AID, HAVING RECEIVED NO RECENT INFO ABOUT FRG EITHER DIRECTLY OR FROM USG.

IN LIGHT OF THE ABOVE NOTED UNCERTAINTIES, SAID OHIRA, THERE IS NO NEED FOR GOJ TO HURRY DECISION RE POSSIBLE ADDITIONAL EMERGENCY AID. FURTHERMORE,

C) VERY TIGHT GOJ BUDGET THIS FY PRECLUDES ADDITIONAL GOJ EMERGENCY AID.

2. UPON HEARING OHIRA'S REMARKS, PM MIKI AGAIN REQUESTED HIM TO CONSIDER HOW ADDITIONAL EMERGENCY AID COULD BE PROVIDED, AND OHIRA SAID HE WOULD STUDY MATTER FURTHER.

3. IN MEANTIME, FONOFF IS PREPARING A FALL BACK POSITION PAPER FOR CIRCULATION TO OTHER MINISTRIES PROPOSING ADDITIONAL 50 MILLION DOLLAR LOAN TO EGYPT FROM JAPAN'S EXIM BANK ON LESS CONCESSIONAL TERMS, PERHAPS CLOSE TO 25 PERCENT GRANT ELEMENT. FONOFF HAS ALREADY BEEN IN TOUCH INFORMALLY WITH EXIM AND EXIM HAS NOT FLATLY REJECTED PROPOSAL, SO FONOFF FEELS POSSIBILITY OF EXIM LOAN IS WORTH EXPLORING. HOWEVER, IN PURSUING THIS POSSIBILITY AS WELL AS POSSIBILITY OF ADDITIONAL OECF LOAN, ADDITIONAL INFO ON FRG INTENTIONS, AS WELL AS STATUS OF THAT PORTION OF USG EMERGENCY AID WHICH WILL REQUIRE CONGRESSIONAL APPROVAL, IS NEEDED. (EMBOFF IN RESPONSE UNDERTOOK TO SOLICIT SUCH INFO ON URGENT BASIS.

4. EMBASSY COMMENT. FONOFF SOURCE STRESSED EXTREME SENSITIVITY OF INFO REGARDING PRIVATE MIKI-OHIRA CONVERSATION (PARA 1 AND 2 ABOVE) CONFIDENTIAL

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AND THAT THIS INFO SHOULD NOT FIND ITS WAY TO NON-USG PARTIES, IN PARTICULAR TO GOJ EMBASSY CAIRO. ANY APPROACH MADE IN CAIRO SHOULD AVOID REFERENCES TO MIKI-OHIRA TALKS. HOWEVER, DEPARTMENT MAY WISH TO INFORM GOE THAT DIRECT GOE REQUEST TO GOJ FOR ADDITIONAL AID COULD EXERT POSITIVE INFLUENCE ON GOJ DECISION RE THAT MATTER, AND ENCOURAGE GOE TO MAKE SUCH A REQUEST. END COMMENT.

5. ACTION REQUESTED: DEPT PROVIDE ANY ADDITIONAL INFO RE A) FRG

INTENTIONS AND B) STATUS OF PORTION OF USG ASSISTANCE REQUIRING
CONGRESSIONAL APPROVAL WHICH WE COULD PASS ON TO FONOFF.
HODGSON

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